



City Councilmember

**Carl DeMaio**

News Release

# DeMaio Opposes Massive \$1.8 Billion Retiree Health Care Giveaway

## *15-Year Contract Creates De-Facto “Vesting” of Life-Long City Employee Benefits On Top of Medicare*

FOR IMMEDIATE RELEASE:  
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SAN DIEGO – Councilmember Carl DeMaio today released the following statement in response to the proposed “Retiree Health Deal” announced by the Mayor, City Council majority, and labor unions:

*Just when you thought bad pension deals were a thing of the past at City Hall, along comes this unprecedented 15-year binding contract that guarantees life-long taxpayer-funded health benefits to city employees that are far in excess of private sector benchmarks.*

*How can city leaders actually claim this deal is good news when it allows city employees to receive an annual guaranteed allowance of \$8800 plus Medicare?*

*Among the flaws in the deal:*

- **Benefits Significantly Richer Than Local Benchmarks:** *The deal awards city employees retiree healthcare benefits that virtually no other employer in the private sector provides to their employees. With the exception of some employees hired between 1981-1986, city employees receive Medicare. On top of that, the deal guarantees a generous \$8800 per year allowance for long-time employees, and a \$5500 per year allowance for all other employees.*
- **15-Year Term is Unprecedented:** *The deal is set in a 15 year labor contract – no other labor contract in city history has ever extended for such a long period of time.*
- **De-Facto “Vesting” Status Given to Benefit:** *Even though courts have expressed that retiree health benefits are not vested, the deal in effect allows city employees time to achieve “vested” status on retiree health benefits. For example, the deal cannot be changed for three years (July 1, 2014) during which time thousands of employees will be eligible to retire and “vest” in the benefit. Even after July 1, 2014, it is improbable that “reformers” will gain 6 votes to modify the terms of the 15-year deal.*
- **No “Cap” Exists on City Financial Exposure:** *The deal expressly continues a “Defined Benefit” plan for city employees – and while city leaders tout a “cap” of \$57.8 million (plus escalator), no such guaranteed “cap” exists. Costs could exceed the so-called “cap” that city leader tout.*
- **City Leaders Give Up \$340-530 Million in Savings:** *Because city leaders did not impose alternative reform proposals, the deal gives away the potential for millions in savings.*

*I am not proposing that we take away health care from retirees, or leave any city employee without reasonable health coverage in line with private-sector benchmarks. Unfortunately, under this excessive deal, taxpayers will be paying for a generous health benefit package that they themselves do not receive.*

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